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INSTRUCTIONS APPLY**INFORMATION**

DEC 28 1969

MEMORANDUM FOR THE PRESIDENT**FROM: Henry A. Kissinger****SUBJECT: Italian Political Situation**

During Secretary Rogers' report of his European trip at the NSC meeting on December 10, you asked the Secretary and CIA Director Helms to prepare a briefing for you of the Italian political situation for presentation at the following NSC meeting. Since the December 17 meeting dealt with unrelated matters, Secretary Rogers has provided you with a written assessment, drawing from a joint State-CIA analysis (Tab A). Mr. Helms has sent a separate CIA report (Tab B) which does not differ in substance, and he is prepared to brief you orally if you desire.

Major PointsMORI/CDF
C03317032**Atmosphere**

-- Consideration of Italy's current political stability should be seen against the general background of the fundamental fact that no government in the post-war period has been able to accomplish needed reforms without years of parliamentary and political maneuver;

-- The current atmosphere of instability has been fostered by the coincidence that labor contracts affecting half the industrial force were due for renewal in the last half of 1969, and the labor unrest has resulted;

-- Another unsettling factor has been the continuing discussion of the possibility of an evolving role in Italian political life for the Communist Party;

-- Economic growth has been a stabilizing factor, but there is some uneasiness about a threat of inflation and the likelihood of continued capital flight.

State Dept. review completed

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Current Power Struggle

-- The political scene is dominated by a complex power struggle both within and among the parties of the center-left majority over the timing and composition of a successor government to the stop-gap Christian Democratic minority Cabinet of Premier Rumor;

-- The current phase of the struggle derives from the collapse last summer of Rumor's center-left coalition caused by the split in July of the Italian Socialist Party;

-- Rumor's minority Cabinet was set up last summer primarily to allow for the healing of the wounds of the Socialist split and to make possible their return to government collaboration after local elections now scheduled for the spring;

-- The passage of time, however, has exacerbated the bitterness of the Socialist feud;

-- Thus, Rumor finds himself caught in the crossfire of that feud and the infighting within his own Christian Democratic Party which the Socialist feud triggers.

Prospects

-- The prospect is that a new government will be formed in the first half of 1970, probably after the spring local elections;

-- The government most likely will be made up of the four parties of the center-left, dominated by the Christian Democratic Party;

-- Senate President Fanfani or Foreign Minister Moro are most often mentioned as probable prime ministers;

-- Fanfani or Moro can be expected to adhere to traditional Italian domestic and foreign policies.

Some months ago I asked Elliot Richardson within the NSC framework to prepare a contingency study on the effects to US policy and operations in the unlikely event that the Communist Party enters the Italian Government within the next few years. The study is nearing completion.

ADowney:mm:12/19/69

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